

Highlights

International crude oil prices continued to climb during February as concern about the rate of supply mounted in world markets. Questions about production rates after the March expiration of Organization of Petroleum Exporting Countries (OPEC) output cuts agreements unsettled prices. Continuing inventory declines in the main consuming regions also troubled markets and contributed to price volatility throughout the month. Prices for several benchmark streams reached new post-Gulf War highs principally due to these supply concerns. Both unscheduled maintenance on production facilities and inclement weather hampering output and exports from European sources provided additional support for international prices. Finally, while refining margins have improved since the beginning of the year in various world markets, they lacked the depth and stability of range that would provide incentive to lay in stocks of high-priced crude oil, particularly when futures prices in commodities markets are heavily backwardated.

In the United States, petroleum products prices were volatile during February. The month began with an extraordinary price spike for No. 2 heating oil in Northeastern markets due to cold weather and sharply reduced regional stockpiles. The wintry weather both increased demand and caused delays in deliveries of the product to acutely affected markets. Supply data for the week ending February 4 show stocks of distillate fuel oil in PADD 1A had fallen to less than half the level seen at the beginning of the year. Further, data indicate stocks in that district were approximately 60 percent lower during February 2000 than a year ago. However, prices returned to a more normal range as supplies reached the region and demand

eased due to milder temperatures. Concern about gasoline supplies for the coming driving season lifted prices to long-term highs by the end of the month. Refinery problems and maintenance affected gasoline production, particularly on the West Coast. Overall, the U.S. refinery utilization rate remained just below 86 percent during February.

Additional February market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

Due in large part to concerns about world oil supply, the daily spot price for West Texas Intermediate (WTI)

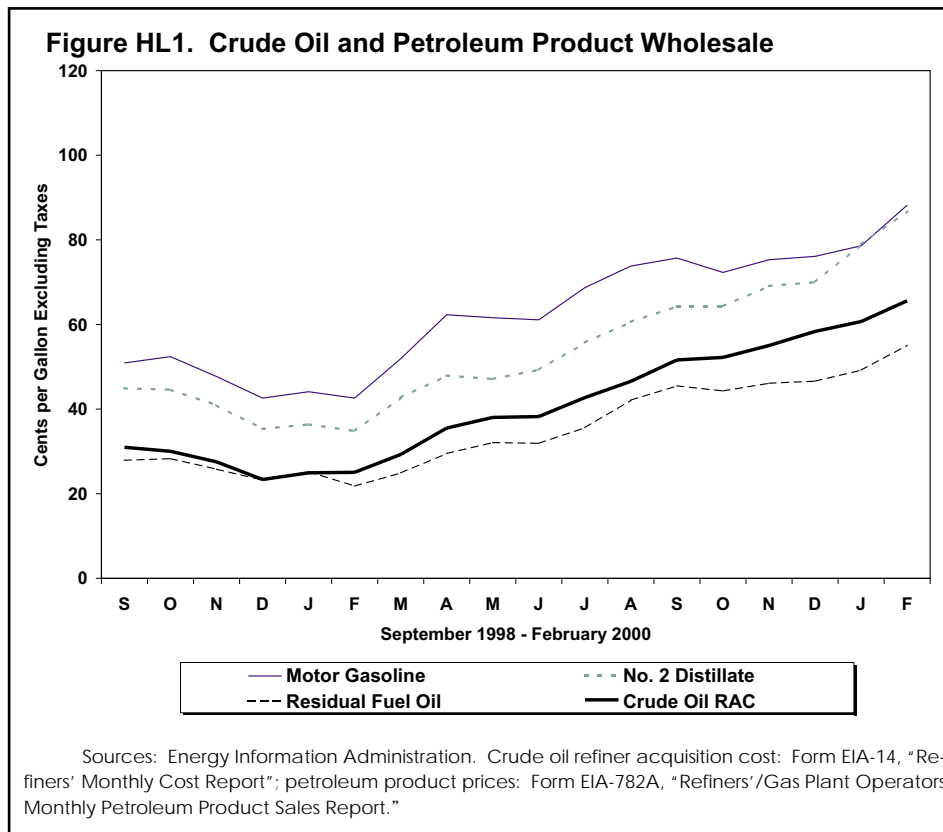


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	February 2000		January 2000		February 1999		February 2000		January 2000		February 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	98.7	60.2	91.7	54.9	56.8	63.6	88.2	295.9	78.6	269.6	42.6	290.3
Conventional	97.7	34.5	90.0	31.6	52.9	38.6	86.8	192.3	76.3	173.7	38.5	188.6
Regular	94.5	25.3	86.5	22.8	48.4	26.1	85.2	152.3	74.5	136.8	36.2	140.6
Midgrade	103.7	5.2	96.1	4.9	58.5	6.2	90.9	13.7	80.7	12.1	42.4	14.9
Premium	109.9	4.0	102.7	3.9	66.0	6.3	94.0	26.3	83.9	24.8	46.5	33.1
Oxygenated	102.4	3.5	95.4	3.4	59.9	3.3	94.0	11.6	85.0	11.3	50.2	11.4
Regular	99.3	2.7	91.8	2.5	56.2	2.5	92.3	8.8	83.5	8.6	47.9	8.3
Midgrade	108.7	0.5	102.1	0.5	66.8	0.5	95.8	1.4	85.4	1.4	51.8	1.3
Premium	118.4	0.3	111.9	0.3	76.8	0.4	102.6	1.4	94.7	1.4	59.7	1.7
Reformulated	99.7	22.2	93.8	19.9	63.3	21.6	90.4	92.0	82.4	84.6	50.1	90.4
Regular	95.6	15.5	89.3	13.7	58.1	14.0	87.7	64.5	79.2	59.2	46.4	59.9
Midgrade	105.5	3.5	99.6	3.3	68.9	3.7	94.2	9.5	87.0	8.6	55.4	10.0
Premium	113.4	3.2	108.0	3.0	76.1	3.9	98.2	18.0	91.5	16.8	58.6	20.5
Aviation Gasoline	124.2	0.1	119.6	0.1	85.0	0.1	118.4	0.5	111.4	0.4	78.9	0.5
Kerosene-Type Jet Fuel	82.6	46.2	80.4	43.1	36.3	46.5	83.2	18.0	79.8	17.4	35.0	14.9
Propane (Consumer Grade)	72.9	3.9	62.7	4.2	39.3	4.5	60.3	38.3	49.2	44.4	26.2	36.7
Kerosene	126.2	0.3	106.6	0.3	46.8	0.6	103.1	3.3	94.3	4.2	38.3	3.1
No. 1 Distillate	93.1	0.5	86.6	0.5	NA	NA	94.1	2.5	86.5	3.4	44.7	2.5
No. 2 Distillate	89.8	25.4	80.7	22.6	40.3	25.3	86.8	121.6	78.9	114.5	34.8	129.8
No. 2 Fuel Oil	94.9	3.1	86.5	3.0	40.4	3.9	91.8	29.6	82.8	30.7	33.0	38.0
No. 2 Diesel Fuel	89.1	22.3	79.8	19.6	40.3	21.3	85.2	92.0	77.4	83.8	35.5	91.8
Low Sulfur	92.1	15.1	82.6	13.4	42.0	14.1	85.7	79.6	77.8	72.3	35.9	78.0
High Sulfur	82.7	7.2	73.8	6.2	36.9	7.2	82.2	12.4	75.5	11.4	33.2	13.8
No. 4 Fuel^a	84.7	0.5	73.7	0.5	38.6	0.5	80.8	0.3	76.1	0.2	29.7	0.3
Residual Fuel Oil	57.4	15.5	53.7	14.5	25.8	16.2	55.1	10.3	49.2	9.1	21.8	17.6
Sulfur Content not > 1 %	67.2	4.2	64.5	4.2	30.6	4.4	61.1	5.3	57.2	3.4	21.9	5.3
Sulfur Content > 1 %	53.7	11.3	49.3	10.3	24.0	11.9	48.8	5.0	44.3	5.6	21.8	12.3

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners/Gas Plant Operators' Monthly Petroleum Product Sales Report."

crude oil at Cushing, Oklahoma increased markedly during February. After opening at \$27.65 per barrel, the price moved to the month's low of \$27.65 per barrel on February 2. Experiencing moderate changes during succeeding weeks, the price began a more acute climb during the last 10 days of the month. A combination of factors drove the increase: low crude oil stocks, falling finished product stocks, and uncertainty about output rates from OPEC following the expiration of production cuts agreements. The price closed February at a new 9-year high of \$30.47 per barrel.

- February monthly average crude oil prices show marked increases in all categories of sales. The average domestic crude oil first purchase price rose \$1.93 (8.2 percent), to \$25.46 per barrel.

- The average free-on-board (f.o.b.) cost of imported crude oil increased \$1.91 (7.8 percent), to \$26.50 per barrel. The average landed cost of foreign crude oil rose \$1.53 (6.0 percent), to \$26.97 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$2.01 (7.8 percent), to \$27.80 per barrel, while the average cost of imported crude oil to U.S. refiners jumped \$2.10 (8.3 percent), to \$27.39 per barrel. The composite refiner acquisition cost for crude oil rose \$2.06 (8.1 percent), to \$27.55 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for unleaded regular gasoline at New York Harbor underwent dramatic changes during February, as it became more evident supplies of gasoline were becoming increasingly tight and might remain so well into summer. The price opened at 73.6 cents per gallon, which was also its lowest point for February. It continued to rise throughout the month, but rose most sharply during the final two days of the month based on mounting concerns about adequate supplies in coming months. Closing at February's highest point, 94.0 cents per gallon, the price ended the month more than 20 cents higher than where it began.

- National average gasoline prices rose substantially in all categories of sales during February. The average price for retail sales of motor gasoline by refiners climbed 7.0 cents to 98.7 cents per gallon, while the average wholesale price jumped 9.6 cents to 88.2 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets rose 7.8 cents to 98.8 cents per gallon. The average wholesale price increased 9.8 cents to 88.7 cents per gallon. The average dealer tank wagon (DTW) price rose 7.8 cents to 93.7 cents per gallon, while the average rack price climbed 10.6 cents to 87.8 cents per gallon. The average price for bulk sales increased 10.1 cents to 80.0 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 0.9 cent at retail and 2.4 cents at wholesale. The difference between conventional and oxygenated gasoline prices was 6.2 cents at retail and 6.9 cents at wholesale.
- February gasoline sales by refiners rebounded in part from the deep declines seen in January. Total sales rose 31.6 million gallons per day (9.7 percent), to an average of 356.1 million gallons per day. Retail sales rose 5.3 million gallons per day (9.7 percent), while wholesales increased 26.3 million gallons per day (9.8 percent). Rack sales accounted for 64.8 percent of wholesales, while DTW and bulk sales made up 23.5 percent and 11.8 percent, respectively. Reformulated gasoline (RFG) constituted 32.1 percent of total motor gasoline sales, while oxygenated accounted for 4.2 percent.

No. 2 Distillate

Due to severe winter weather and severely reduced stockpiles in the region, the daily spot price for No. 2 heating oil at New York Harbor experienced record highs during February. Opening the month at 82.0 cents per gallon, the price began to surge immediately, reaching the record-breaking high of \$1.77 per gallon on Friday, February 4. The price fell just as dramatically, losing 66 cents by the close of business on the following Monday, as the market reacted to reports of expected imports from foreign ports and warmer weather in the region. The price continued to drop, but in less sensational way, reaching the month's low of 75.7 cents per gallon on February 17. Regaining ground at the end of the month, the price closed February at the same place it began, 82.0 cents per gallon.

- Monthly average No. 2 distillate prices for February rose substantially from January levels. Once again the national average residential price showed the largest increase, rising 16.6 cents to \$1.424 per gallon. The average wholesale price climbed 8.0 cents to 88.3 cents per gallon. The average price for No. 2 diesel fuel jumped 9.8 cents at company-operated retail outlets, while the average wholesale price climbed 7.9 cents. The difference between low- and high-sulfur diesel fuel prices was 6.0 cents at retail and 3.7 cents at wholesale.
- Refiner sales of No. 2 distillates were varied during February. Total sales of No. 2 distillate rose 9.9 million gallons (7.2 percent), to 147.0 million gallons per day. Sales of No. 2 fuel oil dropped 1.0 million gallons per day (3.0 percent), while sales of No. 2 diesel fuel increased 10.9 million gallons per day (10.5 percent). Low-sulfur diesel fuel accounted for 82.9 percent of all refiner diesel fuel sales and 64.4 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices increased during February. Refiner prices for low-sulfur residual fuel rose 2.7 cents to 67.2 cents per gallon at retail, and 3.9 cents to 61.1 cents per gallon at wholesale. The average high-sulfur residual fuel retail price increased 4.4 cents to 53.7 cents per gallon, while the wholesale price rose 4.5 cents to 48.8 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price increased 5.3 cents to 66.5 cents per gallon at retail, and 4.6 cents to 62.8 cents per gallon at whole-

sale. The average retail price for high-sulfur residual fuel oil increased 3.8 cents to 54.2 cents per gallon.

- Residual fuel oil sales by refiners rose in February. Total sales increased 2.2 million gallons per day (9.3 percent), to 25.8 million gallons per day. Low-sulfur residual fuel sales increased 1.9 million gallons per day (25.0 percent), while high-sulfur residual fuel oil climbed 400,000 gallons per day (2.5 percent).

Other Products

- Prices for other surveyed products rose during February, substantially so in some cases. Refiner pro-

pane prices jumped 10.2 cents per gallon at retail, and 11.1 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price climbed 12.5 cents per gallon. The average retail price for propane increased 11.8 cents, while the average wholesale price rose 10.4 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, No. 1 distillate, and No. 4 distillate increased at both levels.

- Refiner sales of products included in this section mostly declined in February. Sales of propane, kerosene, and No. 1 distillate sales fell at both retail and wholesale. Kerosene-type jet fuel and aviation gasoline sales increased at both levels, while No. 4 distillate sales declined at retail but rose at wholesale.

